

## **Table of Contents**

**State/Territory Name: Montana**

**State Plan Amendment (SPA) #: 23-0020**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, MD 21244-1850



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**Financial Management Group**

January 30, 2024

Michael Randol  
State Medicaid Director  
Montana Department of Public Health  
and Human Services  
P.O. Box 4210  
Helena, MT 59604

Re: Montana 23-0020

Dear Mr. Randol,

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 23-0020. Effective for services on or after October 1, 2023, this amendment updates the reimbursement methodology for inpatient hospitals services for State Fiscal Year 2024. Specifically, it updates APR-DRG grouper version, as well as provides a four percent increase for inpatient hospital reimbursement.



We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment TN 23-0020 is approved effective October 1, 2023. The CMS-179 and the amended plan page are attached.

If you have any questions, please contact Christine Storey at [christine.storey@cms.hhs.gov](mailto:christine.storey@cms.hhs.gov).

Sincerely,



Rory Howe  
Director

|   |  |   |                     |
|---|--|---|---------------------|
| TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR:<br>CENTERS FOR MEDICARE & MEDICAID SERVICES  |  | 1. TRANSMITTAL NUMBER<br>23 0020  | 2. STATE<br>Montana |
|   |  | 3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT<br>✓ XIX XXI  |                     |
| TO: CENTER DIRECTOR<br>CENTERS FOR MEDICAID & CHIP SERVICES<br>DEPARTMENT OF HEALTH AND HUMAN SERVICES  |  | 4. PROPOSED EFFECTIVE DATE<br>10/01/2023  |                     |
| 5. FEDERAL STATUTE/REGULATION CITATION<br>42 CFR 440<br>42 CFR 447.203<br>1902(a)(30)(A) of the Social Security Act   |  | 6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)<br>Total<br>FFY 24 \$5,381,895<br>FFY 25 \$5,467,838  |                     |
| 7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT<br>Attachment 4.19B, A, Service 1, Inpatient Hospital Services, Page 1 of 20.  |  | 8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)<br>Attachment 4.19A, Service 1, Inpatient Hospital Services, Page 1 of 20.                    |                     |
| 9. SUBJECT OF AMENDMENT<br>Effective October 1, 2023, this amendment adopts version 40 of the APR-DRG grouper, which updates the relative weight values, and average national length of stay (ALOS). In addition, the 68th Montana Legislature required Montana Medicaid to increase inpatient hospital reimbursement by 4%. To accomplish the required increase the department proposes to increase base rates. This amendment also incorporates modifications to payment adjustors. All proposed changes are incorporated into the posted APR-DRG calculator. |  |   |                     |
| 10. GOVERNOR'S REVIEW (Check One)<br>GOVERNOR'S OFFICE REPORTED NO COMMENT<br>COMMENTS OF GOVERNOR'S OFFICE ENCLOSED<br>NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL   |  | X OTHER, AS SPECIFIED:<br>Single Agency   |                     |
| 11. SIGNATURE OF STATE AGENCY OFFICIAL<br>   |  | 15. RETURN TO<br>Montana Dept. of Public Health and Human Services<br>Mike Randol<br>State Medicaid Director<br>Attn: Mary Eve Kulawik<br>PO Box 4210<br>Helena, MT 59604 |                     |
| 12. TYPED NAME Mike Randol /  |  |   |                     |
| 13. TITLE Medicaid and Health Services Executive Director/State Medicaid Director   |  |   |                     |
| 14. DATE SUBMITTED<br>11-06-2023  |  |   |                     |
| FOR CMS USE ONLY  |  |   |                     |
| 16. DATE RECEIVED November 6, 2023  |  | 17. DATE APPROVED<br>January 30, 2024   |                     |
| PLAN APPROVED - ONE COPY ATTACHED   |  |   |                     |
| 18. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2023  |  | 19. SIGNATURE OF APPROVING OFFICIAL<br>   |                     |
| 20. TYPED NAME OF APPROVING OFFICIAL Rory Howe  |  | 21. TITLE OF APPROVING OFFICIAL Director, Financial Management Group  |                     |
| 22. REMARKS: State authorized pen and ink change to block 6 and 7.  |  |   |                     |

## REIMBURSEMENT FOR INPATIENT HOSPITAL SERVICES

## A. MONTANA MEDICAID PROSPECTIVE PAYMENT (DRG) REIMBURSEMENT

Except as specified in Subsection B, the Inpatient Prospective Payment Method applies to all inpatient stays in all acute care general, rehabilitation and mental health (psychiatric/substance abuse treatment) hospitals and units located in Montana or out-of-state.

## 1. Primacy of Medicaid Policy

Some features of the Medicaid Inpatient Prospective Payment Method are patterned after similar payment policies used by Medicare. When specific details of the payment method differ between Medicaid and Medicare, then the Medicaid policy prevails.

## 2. APR-DRG Reimbursement

For admissions dated October 1, 2016 and after, the Department will reimburse hospitals the lesser of a per-stay rate based on All Patient Refined Diagnosis Related Groups (APR-DRGs) or billed charges. APR-DRGs classify each case based on information contained on the inpatient Medicaid claim such as diagnosis, procedures performed, patient age, patient sex, and discharge status. The APR-DRG determines the reimbursement when the DRG Relative Weight is multiplied by the DRG Base Price.

The APR-DRG relative weights values, average national length of stay (ALOS), outlier thresholds, and APR-DRG grouper are contained in the APR-DRG Calculator effective October 1, 2023. The APR-DRG calculator can be referenced on the state's website: <https://medicaidprovider.mt.gov/>.

Hospitals reimbursed using the Inpatient Prospective Payment Method are not subject to retrospective cost reimbursement.

## 3. DRG Relative Weights

For each DRG a relative weight factor is assigned. The relative weight is applied to determine the DRG Base Payment that will be paid for each admit-through-discharge case regardless of the specific services provided or the length of stay. The DRG relative weight is a weight assigned that reflects the typical resources consumed. DRG weights are reviewed and updated annually by the Department. The weights are adapted from national databases of inpatient stays and are then "re-centered" so that the average Montana Medicaid stay in a base year has a weight of 1.00.

When the Department determines that adjustments to relative weights for specific DRGs are appropriate to meet Medicaid policy goals related to access to quality care, a "policy adjustor" will be explicitly applied to increase or decrease these relative weights. Policy adjustors are intended to be budget neutral, that is, they change payments for one type of service relative to other types without increasing or decreasing payments overall.